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C O N F I D E N T I A L SECTION 01 OF 06 CARACAS 13714

E.O. 12356: DECL: OADR
TAGS: KPRP, PGOV, PINS, PHUM, ELAB, VE
SUBJECT: THE ROOTS AND IMPACT OF PROTEST IN VENEZUELA

REF: A) CARACAS 13152, B) CARACAS 13475

1. C - ENTIRE TEXT.

2. SUMMARY. A CYCLE OF VENEZUELAN DISCONTENT APPEARED TO PEAK IN NOVEMBER WITH A GENERAL STRIKE, CLASHES BETWEEN POLICE AND STUDENTS, AND PUBLIC SPECULATION BY WELL-KNOWN FIGURES CONCERNING THE LIKELIHOOD OF A COUP. THIS CABLE PICKS UP FROM REF A AND SPECIFICALLY TRACES

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THE STRANDS OF DISCONTENT AMONG WORKERS, STUDENTS, POLITICIANS, AND INTELLECTUALS. WE CONTINUE TO CONCLUDE THAT NOVEMBER'S EVENTS WERE NOT ANYWHERE NEAR AS THREATENING TO INSTITUTIONAL STABILITY AS SOME VENEZUELAN PRETENDED THEM TO BE, AND THAT PRESIDENT PEREZ HAS THE POWER AND THE WILL TO DEFEND KEY ELEMENTS OF HIS ECONOMIC REFORM "PACKAGE" AGAINST THIS LEVEL OF PUBLIC PROTEST. WE NOTE, HOWEVER, THAT THE CYCLE OF PROTEST PROBABLY HAS NOT ENDED, AND THAT INSTANCES OF INADEQUATE POLICE RESPONSE TO SITUATIONS WHICH ARISE IN THE STREET, INCLUDING AN EXCESSIVE USE OF FORCE, COULD

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EXACERBATE TENSIONS. END SUMMARY.

NOVEMBER OF THEIR DISCONTENT

3. FOR TWO YEARS AFTER THE DEVASTATING RIOTS THAT BEGAN ON FEBRUARY 27, 1989, VENEZUELA RETREATED INTO POLITICAL QUIESCENCE. THE MAN-IN-THE-STREET GREETED MASSIVE ECONOMIC POLICY CHANGES WITH AN ALMOST EERIE SILENCE; PROTEST FELL BELOW THE LEVELS COMMON IN THE YEAR BEFORE PRESIDENT CARLOS ANDRES PEREZ (CAP) TOOK OFFICE. WHILE THE ANDEAN CITIES COULD BE COUNTED UPON FOR AN OCCASIONAL STUDENT RIOT, CARACAS STAYED REMARKABLY CALM -- AND VERY LITTLE OF WHAT HAPPENS OUTSIDE CARACAS GETS NOTICED BY VENEZUELAN POLITICIANS.

4. THE FACADE OF PASSIVITY, HOWEVER, CRACKED IN VENEZUELA'S CAPITAL DURING THE STUDENT DISTURBANCES OF APRIL AND MAY. IN AUGUST, A CYCLE OF PROTEST BEGAN WITH THE RESUMPTION OF GASOLINE PRICE HIKES, AND IT BUILT ON
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AN ABORTIVE "CIVIC STRIKE", LABOR UNREST, STUDENT DEMONSTRATIONS, AND INFLAMED POLITICAL RHETORIC. THIS DISCONTENT PEAKED IN NOVEMBER WITH A GENERAL STRIKE, LETHAL CLASHES BETWEEN POLICE AND STUDENTS, AND PUBLIC SPECULATION BY WELL-KNOWN FIGURES CONCERNING THE POSSIBILITY OF A COUP.

5. BOUTS OF PUBLIC NERVOUSNESS ARE NOT UNCOMMON IN VENEZUELA, BUT THEIR CAUSES OFTEN REMAIN OBSCURE. IN LATE 1989 AND AGAIN IN EARLY 1990 THE COUNTRY'S OPINION LEADERS INDULGED IN OMINOUS PUBLIC AND PRIVATE PREDICTIONS ABOUT SUPPOSEDLY IMMINENT UNREST. ON BOTH OCCASIONS THIS DIRE MOOD DISSIPATED AS MYSTERIOUSLY AS IT ARRIVED. THE SECOND HALF OF 1991, HOWEVER, HAS BROUGHT A DEEPER AND LONGER PERIOD OF UNEASE THAN HAS BEEN SEEN SINCE THE RIOTS.

6. BEFORE DISCUSSING PROTEST, THOUGH, WE NOTE THESDVGSE OF CONFLICT QUIETLY. AS A RESULT, VENEZUELAN SIMPLY ARE NOT ACCUSTOMED TO THE ABRASIVENESS OF A FREER INTERPLAY OF INTERESTS. INSTANCES OF OPEN CONTENTION, WHICH SEEM ROUTINE TO US, STRIKE THEM AS A SIGN OF COLLAPSING LEADERSHIP. SECOND, VENEZUELAN ROUTINELY EMPLOY CONSIDERABLE EXAGGERATION AS PART OF THEIR PUBLIC

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DISCOURSE. A LONGTIME POLITICAL LEADER AND FORMER FOREIGN MINISTER, ENRIQUE TEJERA PARIS, RECENTLY COMMENTED TO US THAT FOR MANY YEARS HIS FIRST ADVICE TO AMERICANS HAS BEEN TO DISCOUNT HIS COUNTRYMEN'S STATEMENTS. VENEZUELAN'S LOVE TO DENIGRATE THEMSELVES, HE SAID -- THEY DO NOT EXPECT THEIR PUBLIC UTTERANCES TO BE TAKEN LITERALLY.

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THE GRIPE'S OF WRATH: THE FREE RIDE ON THE OIL PIPELINE IS OVER, AFTER ALL

7. HAVING NOTED THOSE CAVEATS, WE MUST ADD THAT THERE ARE SOME DEEP-SEATED GENERAL ISSUES WHICH ARE PARTIALLY RESPONSIBLE FOR THE UNEASE THAT HAS GRIPPED VENEZUELAN'S

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SUBJECT: THE ROOTS AND IMPACT OF PROTEST IN VENEZUELA

DURING THE PAST FEW MONTHS. THE MOST CONSPICUOUS OF THESE IS ECONOMIC REFORM, THE FAMOUS "PACKAGE". ATTITUDES HAVE CRYSTALLIZED, AND DEBATE ON THE VIRTUES OF THE "PACKAGE" HAS GIVEN WAY TO LAMENTS ABOUT ITS FAILURE TO BE ALL THINGS TO ALL MEN. OPINION MAKERS IN THE MEDIA, IN CONGRESS, IN ORGANIZED LABOR, AND EVEN SOME IN BUSINESS HAVE ADOPTED A NEW "CONVENTIONAL WISDOM": THE "PACKAGE" IS RESPONSIBLE FOR SOME OR ALL OF THE COUNTRY'S ILLS. WE HASTEN TO ADD THAT SUCH

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PERCEPTIONS ARE NOT BASED ON ANALYSIS OF ECONOMIC STATISTICS, OR, INDEED, ON ANY OBSERVABLE FACTS (SEE REFS B AND C). VENEZUELA IS COMPLETING ONE OF ITS BEST YEARS EVER IN MACROECONOMIC TERMS; REAL GROWTH OF GDP IS ESTIMATED BY THE GOV AT 9.2 PERCENT, FOLLOWING GROWTH OF 5.3 PERCENT IN 1990. INSTEAD, THOSE WHO ARE UNHAPPY WITH THEIR OWN SITUATIONS (INCLUDING THOSE WHOSE OXES HAVE BEEN GORED BY THE REFORMS THEMSELVES), OR CONCERNED ABOUT SOCIETAL PROBLEMS, ARE INCREASINGLY FOCUSING THAT DISCONTENT ON THE "PACKAGE". VENEZUELAN'S ARE HIGHLY (AND VOCALLY) SKEPTICAL OF GOVERNMENTAL STATEMENTS AND STATISTICS PRODUCED IN SUPPORT OF ECONOMIC REFORM, AND THE STRENGTH OF THEIR NEGATIVE ATTITUDES LEAVES NO ROOM FOR OPPOSING VIEWS. FOR INSTANCE, A FEW WEEKS AGO, WHEN THE MINISTER OF AGRICULTURE COMMENTED THAT VENEZUELAN'S ARE NOW EATING MORE AND BETTER THAN BEFORE, REPORTERS AND POLITICIANS GREETED HIS WORDS WITH HOWLS OF DERISION. SINCE THEN, BOTH A GOVERNMENT AGENCY AND THE CHAMBER OF FOOD PRODUCERS HAVE QUIETLY PUBLISHED STUDIES INDICATING THAT CONSUMPTION OF MOST BASIC FOODS IS INDEED RISING. "REFUTATIONS" OF THE MINISTER'S STATEMENTS MADE HEADLINES; THESE STUDIES RATED ONLY BRIEF MENTIONS ON THE INSIDE PAGES. THE BOTTOM-LINE: LONG-TIME BENFICIARIES (MOST VENEZUELAN'S) OF THE TRADITIONAL VERY HEAVILY-SUBSIDIZED VENEZUELAN WAY OF ECONOMIC LIFE ARE ONLY SLOWLY COMING TO TERMS WITH THE

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NEW ERA IN THEIR COUNTRY (AND THE WORLD). THE FREE RIDE
(PAID FOR BY INEXHAUSTIBLE OIL) IS OVER -- AND IT HURTS
(IF ONLY PSYCHOLOGICALLY).

8. THE TRANSITION TOWARD A MORE OPEN POLITICAL SYSTEM
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IS ALSO ROILING VENEZUELAN SOCIETY. THE COUNTRY'S
STRONG PARTY SYSTEM COMMITTED A GREAT MANY ABUSES --
SQUANDERING, STEALING, AND MISMANAGING ITS RESOURCES
WITH WILD ABANDON. THERE WAS AND IS PLENTY TO CRITICIZE
IN VENEZUELA -- BUT WHAT HAS CHANGED IS THAT THERE ARE
NOW PLENTY OF CRITICS. DENOUNCING PAST AND (ALLEGED)
PRESENT MISCONDUCT HAS BECOME A NATIONAL PASTIME, AND IT
ALL-TOO-OFTEN SHADES INTO SCANDAL-MONGERING. ON A DAILY
BASIS, VENEZUELAN'S ARE TREATED TO A BARRAGE OF CHARGES
AGAINST GOVERNMENT, THE MAJOR POLITICAL INSTITUTIONS,
AND THE PEOPLE WHO STAFF THEM. THE NET EFFECT IS TO
DISPARAGE THE COUNTRY'S LEADERSHIP AND TO UNDERCUT ITS
CLAIM TO THE LEGITIMATE EXERCISE OF AUTHORITY.

9. ANOTHER MAJOR CONTRIBUTOR TO THE NATIONAL SENSE OF
UNEASE IS CRIME. MORE PERVASIVE AND MORE VIOLENT THAN
IN THE PAST, THE PHENOMENON OF CRIME FRIGHTENS
VENEZUELAN'S BADLY. GANGS OF THIEVES ATTACK HOUSES;
PEOPLE ARE SHOT IN THE STREETS. A MEASURE OF THE
SERIOUSNESS OF PUBLIC CONCERN WAS THE RECENT ADVOCACY BY
A WELL-KNOWN POLITICIAN OF A "SHOOT CRIMINALS FIRST AND
ASK QUESTIONS LATER" POLICY -- A SENTIMENT THAT WOULD
NEVER HAVE BEEN EXPRESSED PUBLICLY A YEAR OR TWO AGO.
THE PERCEPTION OF A THREAT TO "PUBLIC ORDER" IS
WIDESPREAD, AND IN CARACAS THE GOVERNMENT FACED A
CRESCENDO OF DEMANDS TO "DO SOMETHING". IT RESPONDED
WITH POLICE SWEEPS THROUGH POOR AREAS OF THE CITY.
WHETHER THE TACTIC HAS BEEN MOST EFFECTIVE AT REDUCING
CRIME OR AT INCREASING TENSIONS BETWEEN THE POLICE AND
THE POOR NEIGHBORHOODS IS OPEN TO QUESTION.

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OF MOTIVES AND MEN

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10. REGARDLESS OF THE GENERAL IRRITANTS, RECENT ACTS OF PROTEST, BOTH PHYSICAL AND VERBAL, HAVE BEEN SPARKED BY SPECIFIC GRIEVANCES AND INTERESTS. THE FOLLOWING DESCRIBES SOME OF THE SEPARATE STRANDS OF THIS UNREST AND TRACES THE ACTORS' MOTIVES.

11. WORKERS. ORGANIZED LABOR STRONGLY BACKED CAP'S 1988 RE-ELECTION BUT WAS THEN UNPLEASANTLY SURPRISED BY HIS POLICIES. DURING THE FIRST YEAR OF THE NEW ADMINISTRATION, LABOR WAS ABLE TO NEGOTIATE SEVERAL PROGRAMS TO AMELIORATE THE EFFECTS OF ECONOMIC REFORM -- TWO GENERAL WAGE HIKES, AN INCREASE IN THE MINIMUM WAGE, FIRING FREEZES, AND THE ESTABLISHMENT OF UNEMPLOYMENT

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COMPENSATION. SINCE THEN, HOWEVER, LABOR'S PICKINGS HAVE SLIMMED. IN THE SPRING OF 1991 ORGANIZED WORKERS LOST SOME IMPORTANT BATTLES (THE NEW MINIMUM SALARY DECREE RESULTED IN LEVELS MUCH LOWER THAN LABOR REQUESTED, AND THE GENERAL SALARY HIKE WAS SIMILARLY SMALLER, AND APPLIED ONLY TO NON-UNION WORKERS), AND THEY HAD TO EXERT THEMSELVES TO THE UTMOST TO PREVENT A CHANGE IN ONE OF THEIR MOST CHERISHED BENEFITS, "PRESTACIONES SOCIALES" (A COMBINATION SEVERANCE
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PAY/LUMP SUM RETIREMENT BENEFIT).

12. BY MID-1991, LABOR HAD NOT ONLY ACCUMULATED A COLLECTION OF SPECIFIC GRIEVANCES, BUT ALSO IT WAS INCREASINGLY WORRIED ABOUT POSSIBLE EROSION OF ITS PUBLIC ROLE AS "SPOKESMAN FOR THE PEOPLE'S INTERESTS." THE AUGUST 1 HIKE IN GASOLINE PRICES AGGRAVATED ALL ITS PROBLEMS. ON AUGUST 8, THE TRANSPORTATION UNION, SQUEEZED BETWEEN SET FARES AND RISING COSTS FOR GAS, REPLACEMENT PARTS, AND NEW VEHICLES, WENT ON STRIKE. AS PART OF THE SETTLEMENT, THE GOV AGREED TO ALLOW MUNICIPALITIES TO RAISE BUS FARES. THEN, ON AUGUST 27, A COMBINATION OF LEFTIST GROUPS PROMOTED A SO-CALLED "CIVIC STRIKE" (I.E., A GENERAL STRIKE CALLED BY CIVIC ORGANIZATIONS) IN CARACAS. WHILE NOT GENERALLY SUCCESSFUL, THE STRIKE COLLECTED ENOUGH ADHERENTS IN THE POOR NEIGHBORHOODS OF CARACAS TO CONVINCE ORGANIZED LABOR THAT IT HAD TO MOVE FAST TO RECAPTURE ITS CLIENTELE.

13. IN SEPTEMBER VENEZUELA'S FOUR LABOR CONFEDERATIONS TOLD THE GOV THEY WOULD HOLD A GENERAL STRIKE UNLESS IT AGREED TO FIVE DEMANDS -- A ROLLBACK OF GAS PRICES; A GENERAL SALARY INCREASE; AN END TO EFFORTS TO CHANGE "PRESTACIONES SOCIALES"; RE-STRUCTURING OF THE SOCIAL SECURITY INSTITUTE; AND AN END TO PLANS FOR "MASS FIRINGS" OF PUBLIC EMPLOYEES. AFTER CONSIDERABLE NEGOTIATION AND TWO POSTPONEMENTS, THE STRIKE WAS CARRIED OUT ON NOVEMBER 7, BUT ONLY IN CARACAS, THE SURROUNDING STATES, AND THE SOUTHERN STATE OF BOLIVAR. ALTHOUGH NOT SUPPORTED BY THE MAJOR POLITICAL PARTIES,
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THE STRIKE WAS EFFECTIVE, IN PART BECAUSE PUBLIC
TRANSPORTATION STAYED OFF THE STREETS. THE NOVEMBER 7
STRIKE WAS PLANNED AS THE FIRST IN A SERIES, BUT
ADDITIONAL GOV CONCESSIONS ON THE "FIVE DEMANDS"
PERSUADED LABOR TO CANCEL THE OTHERS.

14. LABOR THEN ANNOUNCED NEW DEMANDS, BUT, DIVERTED BY
THE LENGTHY VIASA STRIKE AND THE CHRISTMAS BREAK, IT
APPEARED TO LOOSE MOMENTUM. THE ICFTU'S WORLD CONGRESS
(SCHEDULED FOR MARCH IN CARACAS) WILL PROVIDE A FURTHER
DISTRACTION. MANY VENEZUELAN'S PREDICT THAT THE COMING
YEAR WILL SEE AN UPSURGE IN LABOR RELATIONS PROBLEMS,
PARTICULARLY IN THE PUBLIC SECTOR WHICH RECENTLY GAINED
THE RIGHT TO BARGAIN AND SIGN CONTRACTS -- BUT THIS MAY
BE A MIXED BLESSING FOR THE GOV. VENEZUELA'S HIGHLY
CENTRALIZED LABOR ORGANIZATIONS SIMPLY CANNOT COPE WITH
MORE THAN A VERY LIMITED NUMBER OF PROBLEMS AT ANY ONE
TIME; IF FORCED TO DEAL WITH SPECIFICS, THEY WILL HAVE
LESS TIME FOR BROAD COMPLAINTS ABOUT NATIONAL POLICY.
AT YEAR'S END, CAP HAS AGREED TO CONSIDER ANOTHER
INCREASE IN THE MINIMUM WAGE, BUT IS STANDING FIRM ON
HIS REFUSAL TO DECREE A NEW ACROSS-THE-BOARD WAGE HIKE.

15. STUDENTS. COMPLAINTS ABOUT STUDENT BUS FARES HAVE
PROVIDED A RALLYING POINT FOR DEMONSTRATIONS IN CARACAS
SINCE LATE LAST MARCH. UNFORTUNATELY, THE VENEZUELAN
SYSTEM FOR PROVIDING LOW COST STUDENT FARES WORKS TO
KEEP STUDENTS AND BUS DRIVERS AT LOGGERHEADS. IN
THEORY, STUDENT FARES ARE HALF THE REGULAR PRICE, AND
THE GOV PAYS A SUBSIDY DIRECTLY TO BUS OWNERS TO
COMPENSATE THEM. IN PRACTICE, MANY DRIVERS KEEP THE
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SUBSIDY BUT REFUSE TO PICK UP STUDENTS, FAVORING
FULL-FARE PASSENGERS. OWNERS COMPLAIN THAT THE GOV DOES
NOT ALWAYS HOLD UP ITS END OF THE BARGAIN, PAYING THE
SUBSIDY LATE. THE RESULT OF THESE POLICIES IS A
CONTINUAL STATE OF TENSION, PUNCTUATED BY OCCASIONAL BUS
BURNINGS.

16. THE RISE IN THE PRICE OF GASOLINE IN AUGUST LED TO
AN AGREEMENT BETWEEN THE GOV AND THE TRANSPORTATION

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UNION TO RAISE FARES -- WHICH ALSO IMPLIED A RISE IN STUDENTS' HALF-FARES. AT ABOUT THE TIME THAT UNIVERSITY STUDENTS RETURNED TO THEIR CAMPUSES IN OCTOBER, A SECOND GRIEVANCE AROSE. CAP DECIDED TO FOLLOW UP ON HIS CAMPAIGN PROMISE TO REDIRECT THE EDUCATIONAL BUDGET TOWARD PRIMARY SCHOOLS. (A RECENT WORLD BANK REPORT MADE AN IDENTICAL RECOMMENDATION, POINTING OUT THAT

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VENEZUELA SPENDS HALF ITS EDUCATIONAL BUDGET ON UNIVERSITIES, AND THAT IT THEREFORE HEAVILY SUBSIDIZES STUDENTS WHOSE ABILITY TO PAY WAS, IN NEARLY ALL CASES, ESTABLISHED BY THEIR GRADUATION FROM EXPENSIVE PRIVATE SCHOOLS.) ANNOUNCEMENT OF CUTS IN UNIVERSITY SUBSIDIES

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BROUGHT SCREAMS OF "PRIVATIZATION OF EDUCATION" FROM BOTH PROFESSORS AND STUDENTS. CAP DENIED THE CHARGES BUT WAS NEVER ABLE TO SHAKE OFF THE SENTIMENT OF OUTRAGE THAT UNDERLAY THEM.

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17. AS OCTOBER GAVE WAY TO NOVEMBER, PROTEST SPREAD FROM THE UNIVERSITIES INTO THE HIGH SCHOOLS, TEMPERS FRAYED, AND THE SITUATION SEEMED TO SPIN OUT OF CONTROL. A YOUTH LUNGED AT A BUS; THE DRIVER PANICKED AND RAN HIM DOWN. DISOBEYING ORDERS, SOME POLICEMEN REMOVED THE PLASTIC SHOT FROM THEIR AMMUNITION CARTRIDGES, REPLACED IT WITH MARBLES, AND THEN KILLED THREE YOUNG MEN (TWO WERE HIGH SCHOOL STUDENTS) FOR NO APPARENT REASON DURING A SWEEP THROUGH A POOR NEIGHBORHOOD.

18. IN RESPONSE, CAP CANCELLED MOST HIGH SCHOOL AND UNIVERSITY CLASSES FOR THE REMAINDER OF 1991, MET WITH STUDENT LEADERS, DROPPED STUDENT FARES BACK TO THEIR OLD LEVELS (NOW LESS THAN HALF FARE), AND CUT BACK ON HIS PLANS TO FUNNEL MONEY OUT OF THE UNIVERSITIES AND INTO PRIMARY SCHOOLS. STUDENT PROTEST DIMINISHED AND THEN CAME TO A HALT. IT IS LIKELY THAT PROTESTS WILL RESUME AFTER THE SCHOOLS REOPEN IN JANUARY, BUT THEY WILL PROBABLY REMAIN AT MANAGEABLE LEVELS IF THE AUTHORITIES CAREFULLY REFRAIN FROM UNDUE USE OF FORCE.

19. THE PARTIES. VENEZUELA'S TWO MAJOR POLITICAL PARTIES, ACCION DEMOCRATICA (AD) AND COPEI, HAVE NOT SUPPORTED WORKER OR STUDENT PROTESTS, NOR HAVE THEY CALLED FOR DEMONSTRATIONS AGAINST THE GOVERNMENT. THEIR INCREASINGLY CRITICAL ATTITUDE TOWARD GOV POLICIES IN 1991, HOWEVER, CONTRIBUTED STRONGLY TO THE RISING NATIONAL SENSE OF DISSATISFACTION. NEVERTHELESS, IN BOTH CASES THEIR CRITICISMS STEMMED MORE FROM TACTICAL

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NEEDS THAN FROM DEEPLY-FELT OPPOSITION TO "THE PACKAGE".

20. EDUARDO FERNANDEZ, COPEI'S CERTAIN PRESIDENTIAL

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CANDIDATE IN 1993, FACED THE PROBLEM OF DISTINGUISHING HIMSELF FROM THE ADMINISTRATION WITHOUT CONFRONTING ITS POLICIES, THE BENEFITS OF WHICH HE HOPED TO INHERIT. (INDEED, CAP HAS ESSENTIALLY IMPLEMENTED THE POLICIES FERNANDEZ ARTICULATED DURING THE 1988 PRESIDENTIAL CAMPAIGN.) IN EARLY 1991 FERNANDEZ FOUND A SOLUTION: IN THE MIDST OF RADICAL SURGERY ON THE ECONOMY, THE GOV, HE ARGUED, WAS NOT DOING ENOUGH TO REDUCE THE PAIN. SINCE THERE WAS NO CONCEIVABLE WAY THAT RE-ADJUSTMENT COULD BE ANYTHING BUT PAINFUL, AT LEAST FOR THE SHORT TERM, FERNANDEZ APPEARED TO HAVE POSITIONED HIMSELF TO GAIN THE SYMPATHY OF ANYONE HURT (OR EVEN INCONVENIENCED) BY THE NEW RULES OF THE ECONOMIC GAME.

21. AD FOUND ITSELF OUTFLANKED. FURTHERMORE, ITS INTERNAL PARTY ELECTIONS FEATURED AN UPSTART PRO-CAP GROUP (THE "RENOVATORS") AGAINST THE-REST-OF-THE-AD-WORLD (THE "ORTHODOX"). SCRAMBLING FOR PUBLIC AND INTRA-PARTY SUPPORT, SOME AD LEADERS JUMPED ON THE BANDWAGON OF NEGATIVISM, INCLUDING CARLOS CANACHE MATA, A MAJOR ASPIRANT TO THE 1993 AD PRESIDENTIAL NOMINATION.

22. A BARRAGE OF ANTI-"PACKAGE" COMMENTARY RESULTED. THEN, TWO EVENTS INTERVENED TO MODERATE IT. THE FIRST WAS THE CONCLUSION OF AD'S INTERNAL LEADERSHIP STRUGGLE. THE "ORTHODOX" WON -- AND THEIR PRIZE WAS THE RIGHT TO NEGOTIATE WITH CAP. AD'S NEW BOSS, SEN. LUIS ALFARO UCERO, UNDERSTANDS VERY WELL THAT CAP DIGS IN HIS

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HEELS ALL THE WAY TO THE KNEECAPS WHENEVER ANYONE TRIES TO PRESSURE HIM PUBLICLY. TALKS BETWEEN THE TWO ARE PROCEEDING VERY QUIETLY. SECOND, THE VIOLENCE OF NOVEMBER'S PROTESTS APPEARS TO HAVE COOLED THE VEHEMENCE OF VENEZUELA'S POLITICIANS. HURLING ACCUSATIONS AT THE GOV TO SCORE POINTS HAD BEEN SEEN AS A COST-FREE EXERCISE, BUT WHEN STUDENTS STONED THE CAPITOL BUILDING, THE BILL CAME DUE.

23. INTELLECTUALS. UNLIKE THEIR POLITICIANS, SOME VENEZUELANAS WHOLE-HEARTEDLY EMBRACE THE IDEA OF MASSIVE INSTITUTIONAL CHANGE, BELIEVING THAT CURRENT POLITICAL PARTIES AND LEADERS (BUT NOT DEMOCRACY ITSELF) HAVE FAILED THEIR COUNTRY SO BADLY THAT THEY CAN AND MUST BE REPLACED. PERHAPS ENCOURAGED BY PRESIDENT FUJIMORI'S ELECTORAL VICTORY IN PERU, INDEPENDENTS SUCH AS PUBLIC

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PROSECUTOR RAMON ESCOVAR SALOM (WHO HARBOURS
PRESIDENTIAL AMBITIONS) CAUSTICALLY CRITICIZE THE FAULTS
AND FAILURES OF GOVERNMENT. STANDING OUTSIDE THE
SYSTEMS CREATED (AND EXPLOITED) BY THE MAJOR POLITICAL
PARTIES, THEY FEEL FREE TO FLAIL THE GOV MERCILESSLY.
MUCH, IF NOT ALL, OF THESE COMMENTS ARE WELL-MERITED --
BUT THEIR ACCENTUATION OF THE NEGATIVE ADDS ANOTHER
SOMBER DIMENSION TO PUBLIC DEBATE.

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24. AMONG THE INTELLECTUALS, THE "NOTABLES" ARE UNMATCHED FOR HARSH AND EFFECTIVE CRITICISM. FORMED IN 1990 TO PROMOTE REFORM, THE "NOTABLES" CONSIST OF A ROTATING GROUP OF VENEZUELAN INTELLECTUALS, HEADED BY ARTURO USLAR PIETRI. THE FAILURE OF POLITICIANS TO ADOPT THEIR AGENDA FOR REFORM PUSHED THE GROUP INTO TAKING INCREASINGLY TOUGHER PUBLIC POSITIONS. IN OCTOBER SEVERAL OF THE "NOTABLES" SIGNED A LETTER CALLING FOR THE RESIGNATION OF THE ENTIRE SUPREME COURT. SHORTLY AFTERWARD, ITS MOST PROMINENT FIGURES BEGAN A COORDINATED SERIES OF PRESS INTERVIEWS, OFFERING APOCALYPTIC THOUGHTS ON THE FUTURE OF VENEZUELAN SOCIETY. A PROMINENT THEME IN THEM WAS THE LACK OF LEADERSHIP IN GOVERNMENT. THE "NOTABLES" HAVE NOT OPENLY ENCOURAGED PUBLIC DEMONSTRATIONS, BUT THEIR PROFOUND AND WELL-PUBLICIZED PESSIMISM REGARDING THE CURRENT SITUATION IS ONE MORE BLACK CLOUD RAINING ON THE PUBLIC MOOD. THE "NOTABLES'" TENDENCY TO CHAMPION "GRAND CAUSES" MAKES THEM DIFFICULT TO SATISFY; THEY ARE LIKELY TO BE BACVM

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TO EMERGE FROM INCIDENTS OF PROTEST: FOLLOWING A PEACEFUL DEMONSTRATION, A FEW INDIVIDUALS WOULD DELIBERATELY TRY TO INCITE THE POLICE INTO EXCESSIVE USE OF FORCE. THE OBJECT OF THIS ACTIVITY APPEARED TO BE TO PROVOKE FURTHER DEMONSTRATIONS IN HOPE OF ENLARGING AND RADICALIZING THE PROTEST MOVEMENT. AT NO TIME, HOWEVER, WAS THERE EVIDENCE THAT SIGNIFICANT NUMBERS OF VENEZUELAN SYMPATHIZED WITH SUBVERSIVES; STREET VIOLENCE SEEMED TO SHRINK THE POTENTIAL POOL OF DEMONSTRATORS. WE DO NOT WISH TO DISMISS THE

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POSSIBILITY OF DANGER FROM SUBVERSIVES -- THERE ARE FREQUENT REPORTS THAT SOME OF THE OLD GROUPS ARE REORGANIZING -- BUT WE SEE NO INDICATION THAT ANY SUCH GROUPS ARE ENGAGING IN TERRORIST OR GUERRILLA ACTIVITIES. THE INFLUENCE OF SUBVERSIVES PROBABLY HAS GROWN IN THE PAST SEVERAL MONTHS, BUT IT IS STILL MINIMAL.

26. THE MOST VISIBLE "SUBVERSIVE GROUP" IN CARACAS (BUT PERHAPS NOT THE MOST SERIOUS) IS THE "ENCAPUCHADOS" --

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INDIVIDUALS WEARING HOODS WHO PERIODICALLY EMERGE FROM THE COUNTRY'S PRINCIPAL UNIVERSITY, BURN A VEHICLE, THROW ROCKS AT THE POLICE, AND THEN DISAPPEAR BACK INTO THEIR ACADEMIC SAFEHAVEN. IN THE PAST, SKIRMISHES BETWEEN THE "ENCAPUCHADOS" AND THE POLICE HAVE OFTEN RESEMBLED THEATER -- NO ONE GOT ARRESTED, NO ONE GOT HURT, AND BOTH SIDES SEEMED TO ENJOY THE OUTINGS. THE POLICE APPEARED TO TOLERATE A CERTAIN LEVEL OF DISRUPTIVE ACTIVITY, AND THE "ENCAPUCHADOS" IN TURN WERE CAREFUL NEVER TO THREATEN ANYONE OR ANYTHING OF IMPORTANCE. THE NOVEMBER PROTESTS, HOWEVER, BADLY STRAINED THIS LIVE-AND-LET-LIVE ARRANGEMENT, AND THE GOV RESPONDED IN DECEMBER WITH THE ANNOUNCEMENT THAT SUBVERSIVE GROUPS EXISTED -- THEREBY SENDING A MESSAGE TO PROFESSIONAL AGITATORS THAT THE LIMITS OF TOLERATION HAD BEEN EXCEEDED, AND THAT IT WAS PREPARED TO TAKE OFF THE KID GLOVES.

IN SPURIOUS BATTLE

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27. TOWARD THE END OF 1991, CONSIDERABLE MEDIA SPECULATION APPEARED CONCERNING THE PRESSURES ON CAP TO MODIFY HIS ECONOMIC POLICIES. MOST OF THIS CONJECTURE IGNORED TWO BASIC FACTS OF LIFE IN VENEZUELA -- THE ENORMOUS AND PERVASIVE POWERS OF THE PRESIDENCY, AND THE SKILL AND DETERMINATION OF THE MAN WHO CURRENTLY WIELDS THEM. IN CONTRAST TO HIS FIRST PRESIDENCY, WHEN HE RULED CHIEFLY BY DECREE, CAP HAS VOLUNTARILY CHOSEN TO USE THOSE POWERS WITH RESTRAINT DURING HIS SECOND TERM. IN ORDER TO CONSTRUCT POLICIES THAT WILL OUTLAST HIS ADMINISTRATION, CAP HAS BEEN VERY CAREFUL TO BRING OTHER

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ACTION ARA-01

INFO	LOG-00	AID-01	AMAD-01	CIAE-00	DODE-00	EB-01	HA-09
	H-01	INRE-00	INR-01	IO-19	LAB-04	L-03	ADS-00
	MMP-01	NSAE-00	NSCE-00	OIC-02	OIG-01	OMB-01	PA-01
	PM-01	PRS-01	P-01	RP-10	SIL-01	SNP-01	SP-01
	SR-01	SS-01	STR-20	TRSE-00	T-01	USIE-00	FMP-01
	/087W						

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R 311709Z DEC 91
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 7296
INFO USCINCSO QUARRY HEIGHTS PM

C O N F I D E N T I A L SECTION 06 OF 06 CARACAS 13714

E.O. 12356: DECL: OADR
TAGS: KPRP, PGOV, PINS, PHUM, ELAB, VE
SUBJECT: THE ROOTS AND IMPACT OF PROTEST IN VENEZUELA

GROUPS ON BOARD -- TO GAIN AT LEAST THE GRUDGING
ACQUIESCENCE OF THE MAJOR POLITICAL ACTORS IN VENEZUELA
FOR HIS REFORMS. HIS TACTICS HAVE INTRODUCED A CURIOUS
TWIST INTO THE POLITICAL SETTING. FEW OUTSIDE THE GOV
AND ELEMENTS OF THE BUSINESS COMMUNITY HAVE EVER
WHOLE-HEARTEDLY SUPPORTED THE "PACKAGE", BUT IT IS
EQUALLY TRUE THAT ALMOST NO ONE BITTERLY OPPOSES IT. AT
SOME POINT ALONG THE WAY, CAP HAS NEGOTIATED WITH,
CAJOLED, OR BROW-BEATEN EVERYONE OF CONSEQUENCE IN THIS
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COUNTRY. HIS FAVORITE DEVICE HAS BEEN TO CHALLENGE HIS
CRITICS TO COME UP WITH ALTERNATIVES. NONE HAVE
RESPONDED, AND ALL KNOW THAT THEY ARE UNABLE TO DO SO.

28. THE BULLY PULPIT, HOWEVER, IS NOT CAP'S ONLY
WEAPON. THE PRESIDENCY ENJOYS SUCH ENORMOUS POWERS THAT
THERE IS ALMOST NO WAY TO FORCE A PRESIDENT TO OVERTURN
A POLICY TO WHICH HE IS COMMITTED. CAP CAN (AND
PROBABLY WILL) MAKE A FEW MODIFICATIONS TO MOLLIFY THOSE

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WITH GRIEVANCES, BUT HE CONTROLS THE SIZE AND FLOW OF CONCESSIONS. CAP IS A MASTER AT DIVERTING BROAD, GENERAL COMPLAINTS ABOUT POLICY INTO SPECIFIC DEMANDS THAT HE IS WILLING TO BARGAIN OVER. HE SETS THE AGENDA, AND HE HAS THE AUTHORITY AND THE RESOURCES TO GIVE A LITTLE HERE AND THERE WHILE PRESERVING EXACTLY WHAT HE WANTS TO PRESERVE.

29. A MORE WORRISOME QUESTION IS WHETHER THE PRESIDENT CAN CONTINUE HIS REFORMS; WHETHER FURTHER PROGRESS WILL OCCUR. WE CONTINUE TO BELIEVE THAT MOST UPCOMING MAJOR LEGISLATION IS LIKELY TO GO FORWARD. IN ANY CASE, SOCIAL PROTEST IS NOT LIKELY TO PROVIDE A SIGNIFICANT CONSTRAINT. IF CAP ACCEPTS COMPROMISES ON SOME ITEMS NOW ON THE DOCKET, IT WILL BE TO COPE WITH POLITICAL REALITIES IN AN ELECTORAL PERIOD IN WHICH HIS PARTY DOES NOT HAVE AN ABSOLUTE MAJORITY IN BOTH HOUSES OF CONGRESS. HE MIGHT ALSO BEND (A BIT) TO LOBBYING EFFORTS BY POWERFUL VESTED INTERESTS ON CERTAIN SPECIFIC ITEMS, SUCH AS THE NEW BANKING LAW.

30. VENEZUELAN PRESIDENTS HAVE INSTITUTIONAL AND FISCAL
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RESOURCES THAT MOST KINGS WOULD ENVY. WHAT THEY DO WITH THOSE RESOURCES DEPENDS MOSTLY ON THEIR PERSONALITIES -- ON THEIR DETERMINATION, THEIR POLITICAL WILL, AND THEIR NERVE. THERE IS PROBABLY NO ONE IN VENEZUELA WHO HAS MORE OF THOSE QUALITIES THAN CARLOS ANDRES PEREZ. TOUGH, EXPERIENCED, SHREWD, AND STUBBORN, CAP KNOWS EXACTLY WHAT HE WANTS TO ACCOMPLISH. THE PROTESTS OF NOVEMBER SEEMED NOT EVEN TO FAZE CAP; INDEED, HIS FAILURE TO DEMONSTRATE NERVOUSNESS LED SOME VENEZUELAN TO WONDER WHETHER HE WAS PAYING ATTENTION TO THE COUNTRY'S INTERNAL PROBLEMS. A MORE LIKELY EXPLANATION IS THAT CAP NEVER PERCEIVED THAT HE OR HIS PROGRAMS WERE IN ANY SIGNIFICANT TROUBLE.

31. IT IS OUR JUDGMENT THAT THERE HAS BEEN MUCH LESS TO THE PROTESTS OF THE LAST FEW MONTHS THAN MEETS THE EYE. THERE IS CONSIDERABLE TALK IN VENEZUELA ABOUT INCREASING POVERTY LEVELS (AND IT APPEARS TO BE TRUE THAT THE NUMBER OF POOR HAS RISEN SUBSTANTIALLY IN THE PAST TWO YEARS), BUT THE POOR NEVER CAME OUT INTO THE STREETS. THERE ARE ALSO MANY COMPLAINTS ABOUT UNEMPLOYMENT LEVELS AND PERCENTAGE OF THE EMPLOYED WORK

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FORCE IN THE INFORMAL ECONOMY -- BUT IN THE FIRST SEMESTER OF 1991 THOSE FIGURES STOOD AT 10.3 PERCENT AND 40.5 PERCENT, RESPECTIVELY; FOR COMPARISON WE NOTE THAT DURING THE FIVE YEARS OF THE LUSINCHI ADMINISTRATION (1984-89), THEY AVERAGED 10.6 PERCENT AND 40.3 PERCENT.

32. IN SPITE OF AN INCREASE IN THE VOLUME AND QUERULOUSNESS OF POLITICAL RHETORIC, WE SEE NO SIGNS OF SERIOUS INSTABILITY IN THE VENEZUELAN SYSTEM. VERY
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IMPORTANTLY, CAP'S CONFIDENCE IN HIS OWN COURSE HAS NOT BEEN SHAKEN. CAP HAS MADE AND WILL CONTINUE TO MAKE ADJUSTMENTS TO AMELIORATE SPECIFIC GRIEVANCES, BUT HE WILL NOT SIGNIFICANTLY BACKTRACK ON ECONOMIC REFORM UNLESS FORCED TO DO SO BY A MUCH HIGHER LEVEL OF PROTEST THAN WAS SEEN IN VENEZUELA IN 1991. WE PREDICT THAT PROTEST, AND ESPECIALLY STUDENT PROTESTS, WILL RESUME IN 1992, BUT WE SEE ONLY A LIMITED LIKELIHOOD THAT IT WILL GROW MUCH WORSE -- UNLESS VENEZUELA'S ILL-TRAINED AND INEFFECTIVE POLICE FORCES PROVOKE A CYCLE OF VIOLENCE THROUGH MISHANDLING OF RELATIVELY MILD PROTEST ACTIVITY.
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